

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6992

BILL NUMBER: HB 1203

NOTE PREPARED: Jan 4, 2012

BILL AMENDED:

SUBJECT: Riverboat Gaming Adjusted Gross Receipts.

FIRST AUTHOR: Rep. Dermody

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: The bill requires that wagers made by riverboat patrons using nonmaskable vouchers, coupons, electronic credits, or electronic promotions provided by a licensee or operating agent be subtracted from the amounts received from gaming operations by the licensee or operating agent when calculating the adjusted gross receipts of the licensee or operating agent. (Under current law, cash paid out as winnings to patrons and a limited amount of uncollectible receivables are subtracted from the amounts received from gaming operations.)

Effective Date: July 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary* - The bill reduces the taxable base for the riverboat wagering tax beginning in FY 2013 by allowing a deduction for certain promotional allowances paid by the casino to gambling patrons. It is estimated that this change could reduce wagering tax revenue to the state General Fund by \$58.5 M to \$96.9 M annually beginning in FY 2013.

The deduction also would result in a minimal reduction in wagering tax revenue from the French Lick Casino to the Indiana Economic Development Corporation.

Background Information - The revenue loss estimate is based on the Revenue Technical Committee forecast (December 14, 2011) of riverboat wagering tax revenue for FY 2013. The wagering tax base is adjusted gross wagering receipts (AGR) generated at the riverboat casinos. The bill would allow promotional free play the results in AGR to be deducted before a casino computes its wagering tax. The revenue loss estimate assumes

that promotional free play provided by the riverboat casinos ranges from about 9% to about 15% of their AGR. Since the deduction will reduce the effective wagering tax rate of each casino, the estimate also assumes that there will be some growth in AGR induced by the deduction. However, the increase in AGR induced by the deduction offsets only a small portion of the 9% to 15% AGR reduction due to the free play deduction.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary* - The estimated annual revenue losses that local units could incur due to the free play deduction beginning FY 2013 are reported in the table below.

Local Unit	Revenue Loss (in millions of dollars)
Gary	(1.0 - 1.6)
Michigan City	(0.0 - 0.5)
Rising Sun	(0.3 - 0.5)
Orange County	(0.2 - 0.3)
Orleans	(0.1 - 0.15)
Paoli	(0.1 - 0.15)
French Lick	(0.16 - 0.25)
West Baden Springs	(0.16 - 0.25)
Orange County Development Commission	(0.16 - 0.25)
Total	(2.2 - 3.95)

A local unit that is a docksite for a riverboat casino (other than local units receiving wagering tax revenue from the French Lick Casino) receive 25% of the wagering tax generated by the riverboat casino up to a maximum of the distribution amount the local unit received in FY 2002. In the case of the riverboat casinos in Gary, Michigan City, and Rising Sun, wagering tax revenue is estimated to decline under one or both scenarios by an amount sufficient that the 25% share is less than the cap amount. The local units receiving wagering tax revenue from the French Lick Casino all receive a fixed percentage of this revenue. Therefore, the revenue declines due to the promotional allowance deduction would reduce the revenue to these local units.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Local units receiving riverboat wagering tax.

Information Sources: Revenue Technical Committee Forecast (December 14, 2011); Pennsylvania Gaming Control Board, Gaming Revenue Reports; New Jersey Casino Control Commission, Monthly Schedule of Promotional Expenses and Allowances..

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